



**RE: January – September 2023 Phased-Down
State Contribution Final Per-Capita Rates**

October 14, 2022

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires that the Centers for Medicare & Medicaid Services (CMS) notify each State, no later than October 15 of each calendar year (CY), of its annual per capita drug payment expenditure amount for the following year. Payments for the phased-down State contribution are made on a monthly basis. These payments are defined by the MMA to be the product of the annual per capita full dual-eligible drug payment amount and the monthly State enrollment of full-benefit dually eligible beneficiaries.

This Informational Bulletin¹ is to notify you of the phased-down State contribution full dual-eligible per capita Medicaid drug payment amount for January – September 2023, as required by the MMA.

The January – September 2023 phased-down State contribution per capita rates are shown in Attachments 1 and 2. The per capita drug expenditure amount for January – September 2023 is based on the following adjustments:

1. The value is adjusted by the annual percentage increase (API) in per capita Part D expenditures for the 2023 contract year (5.08 percent)², along with an adjustment to account for any revisions to prior year estimates of per capita drug cost growth from 2003 to 2006 (–0.17 percent). The total growth rate is 4.90 percent.
2. There is no change in the discount factor for 2023, because the phased-down factor for the previous year and this update year is 75 percent.
3. Based on the effects of the API update and the unchanged phased-down contribution percentage, the net change in the State phased-down per capita drug payment amount for calendar year 2023 is 4.90 percent. Details are described in Attachment 3, provided by the CMS Office of the Actuary.

Additionally, on March 18, 2020, the Families First Coronavirus Response Act (P. L. 116-127) was signed into law. Section 6008 of the Act provided for qualifying states a temporary increase

¹ For distribution request of this letter please go to [Medicaid.gov](https://www.cms.gov), select “Sign-up for Website and Program Update” then select the “CMCS Informational Bulletin” Subscription topic.

² “Announcement of Calendar Year 2023 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” April 4, 2022. <https://www.cms.gov/files/document/2023-announcement.pdf>.

to the FMAP. This increase in the FMAP also affects the calculation of the phased-down State contribution per capita rates starting January 1, 2020. This adjustment will only apply to states that qualify for the temporary FMAP increase and while the temporary FMAP increase is in effect. The enhanced FMAP is available for qualifying states until the end of the calendar quarter in which the public health emergency expires. Attachment 1 also provides the rates including this FMAP increase.

In addition, the American Rescue Plan Act of 2021 (P. L. 117-2) was signed into law on March 11, 2021. Section 9814 of the Act provided a temporary FMAP increase of 5 percentage points to states that expanded Medicaid eligibility to all individuals described in section 1902(a)(10)(A)(i)(VIII) under the State plan or waiver of such plan. This FMAP increase would last for 8 calendar year quarters and would only apply for states that expand eligibility after the enactment of the Act. At this time, two states qualify for this FMAP increase (Missouri and Oklahoma). The state contribution rates adjusted for this FMAP increase for these states are shown in Attachment 2.

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Sincerely,



Sara Vitolo
Acting Deputy Director
Center for Medicaid & CHIP Services

ATTACHMENT 1: Phased-Down State Contribution Rates for January – September 2023

State	State Name	January-September 2023 Rates without FMAP Increase	January-September 2023 Rates with FMAP Increase
AL	Alabama	87.25	67.63
AK	Alaska	229.43	200.98
AZ	Arizona	71.71	57.11
AR	Arkansas	83.16	65.19
CA	California	155.08	135.85
CO	Colorado	199.81	175.03
CT	Connecticut	245.82	215.34
DE	Delaware	163.57	139.14
DC	District of Columbia	88.17	69.94
FL	Florida	171.36	144.76
GA	Georgia	120.79	98.75
HI	Hawaii	125.63	107.91
ID	Idaho	132.20	104.77
IL	Illinois	200.86	175.95
IN	Indiana	142.25	116.57
IA	Iowa	156.37	130.07
KS	Kansas	168.60	142.62
KY	Kentucky	110.71	86.05
LA	Louisiana	128.72	104.33
ME	Maine	128.57	106.85
MD	Maryland	209.99	183.95
MA	Massachusetts	164.60	144.19
MI	Michigan	105.08	86.62
MN	Minnesota	199.47	174.34
MS	Mississippi	68.35	49.21
MO	Missouri	169.55	138.80
MT	Montana	144.42	119.46
NE	Nebraska	176.96	150.92
NV	Nevada	142.07	118.49
NH	New Hampshire	233.44	204.49
NJ	New Jersey	251.16	220.01
NM	New Mexico	72.84	55.95
NY	New York	185.19	162.22
NC	North Carolina	133.08	107.53
ND	North Dakota	170.65	148.81
OH	Ohio	181.92	150.95
OK	Oklahoma	99.52	80.61
OR	Oregon	162.75	137.32
PA	Pennsylvania	207.96	181.10
RI	Rhode Island	183.88	159.12
SC	South Carolina	83.39	65.82
SD	South Dakota	177.16	151.77
TN	Tennessee	155.63	127.16
TX	Texas	125.81	106.38
UT	Utah	159.57	130.56
VT	Vermont	169.45	145.67
VA	Virginia	208.74	182.51
WA	Washington	200.20	175.38
WV	West Virginia	96.72	73.64
WI	Wisconsin	165.80	140.04
WY	Wyoming	221.03	193.62

ATTACHMENT 2: Phased-Down State Contribution Rates Adjusted for American Rescue Plan Act Section 9814 for January – June 2023

State	State Name	January-June 2023 Rates without FFCRA FMAP Increase	January-June 2023 Rates with FFCRA FMAP Increase
MO	Missouri	144.76	114.01
OK	Oklahoma	84.27	65.37

ATTACHMENT 3: Phased-Down State Contribution to Part D Annual Rates Update for Calendar Year 2023

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires CMS to calculate the payment rates for the Phased-Down State Contribution (PDSC) to Part D each year using the latest available National Health Expenditure (NHE) estimates of per capita drug expenditure growth for the period 2003 to 2006, combined with the annual percentage increase (API) in average per capita aggregate Part D expenditures for 2007 and later years, as defined in section 1860D-2(b)(6) of the Social Security Act. As announced on April 4th, 2022, the API for 2023 is 5.08%.³

The 2023 API includes an adjustment for revisions to the 2017 through 2022 percentage increases, based on subsequent data and projections, as described in the April 4th, 2022 announcement. Since the MMA requires use of the latest NHE estimates for 2003 through 2006, the 2022 PDSC rates must also be adjusted for updates, if any, to estimates of per capita prescription drug expenditure growth for the period 2003 to 2006 that have occurred since the promulgation of the 2022 rates. The 2022 rates were based on historical NHE estimates from January 2020 and reflected a cumulative per capita prescription drug expenditure growth rate of 23.48% from 2003 to 2006. The January 2022 NHE estimates show a revised cumulative growth rate of 23.44% for this period.⁴ As a result, the 2023 PDSC rates include an adjustment of -0.17% to account for the revised NHE per capita trends.

The PDSC payment rates include a discount factor (the “factor for the month” specified in section 1935(c)(5)), which is 75% in 2015 and subsequent years. Consequently, there is no change in the discount factor for 2023, and the net PDSC payment rate will increase by 4.90%. The table below summarizes these calculations.

2023 Phased-down State Contribution Payment Rate Increase

Annual Percentage Increase for 2023	5.08%
Adjustment for updated 2003-2006 growth	-0.17%
2023 PDSC payment rate increase	4.90%

Office of the Actuary
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³ See table V-1 of “Announcement of Calendar Year 2023 Medicare Advantages Capitation Rates and Part C and Part D Payment Policies,” April 4, 2022. <https://www.cms.gov/files/document/2023-announcement.pdf>. Details of the API calculation are contained in Attachment V.

⁴ The current per capita estimates are \$621 for 2003 and \$766 for 2006. These can be found in the NHE tables at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/tables.zip>. See Table 02.